



**FCC Broadband Lifeline Pilot Project
Final Report**

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Introduction

In December 2012, the Partnership for a Connected Illinois (PCI) was selected to participate in the Federal Communications Commission's (FCC) broadband adoption Lifeline pilot program. The purpose of the project was to provide data to the Commission on how the Lifeline program could potentially be structured to promote the adoption and retention of broadband services by low-income households.

PCI's project studied the effects of access to digital literacy and consumer's choice among plans offering varying Internet connection speeds. The impact of digital literacy on adoption was studied by tracking usage and retention of service during the 12-month pilot to determine if such training helped subscribers overcome adoption hurdles.

PCI partnered with seven Eligible Telecommunications Carriers (ETCs) (as defined by the FCC) in part of Western and Southern Illinois. ETCs participating in the project included Adams Telephone Co-operative, Cass Telephone Company, Harrisonville Telephone Company, Madison Telephone Company, Mid-Century Telephone Cooperative, Shawnee Telephone Company, and Wabash Telephone Company. Other partners in the project included Connected Living (digital literacy training), Citizens Utility Board (marketing), and Computer Banc (equipment).

Methodology

Partnering with Citizens Utility Board, PCI developed marketing materials advertising the program benefits, with pricing tailored to each ETC's rates. Flyers were placed in community areas and postcards were mailed to every household in ETC area zip codes. Marketing materials directed interested parties to call a toll-free number to determine eligibility. Throughout the project, additional marketing was done via newspaper advertisements, editorials, billing inserts, school district competitions, and via television.

When a potential subscriber called the central phone number, hosted by the Connected Living call-center, a series of questions were asked to determine eligibility. To be eligible for the project, callers had to meet specific criteria put forth by the FCC. Potential subscribers had to live within the service area of a participating ETC, receive at least one other type of federal or state public assistance (i.e.: Medicaid, Temporary Assistance to Needy Families, Low-Income Energy Home Assistance Program, et al) or meet other income criteria, and have not had broadband access in the home in the last sixty days. If initial criteria were met, the individual's information was given to the applicable ETC, who would complete the sign-up process with the new subscriber, including subscriber certification to terms and conditions of the project.

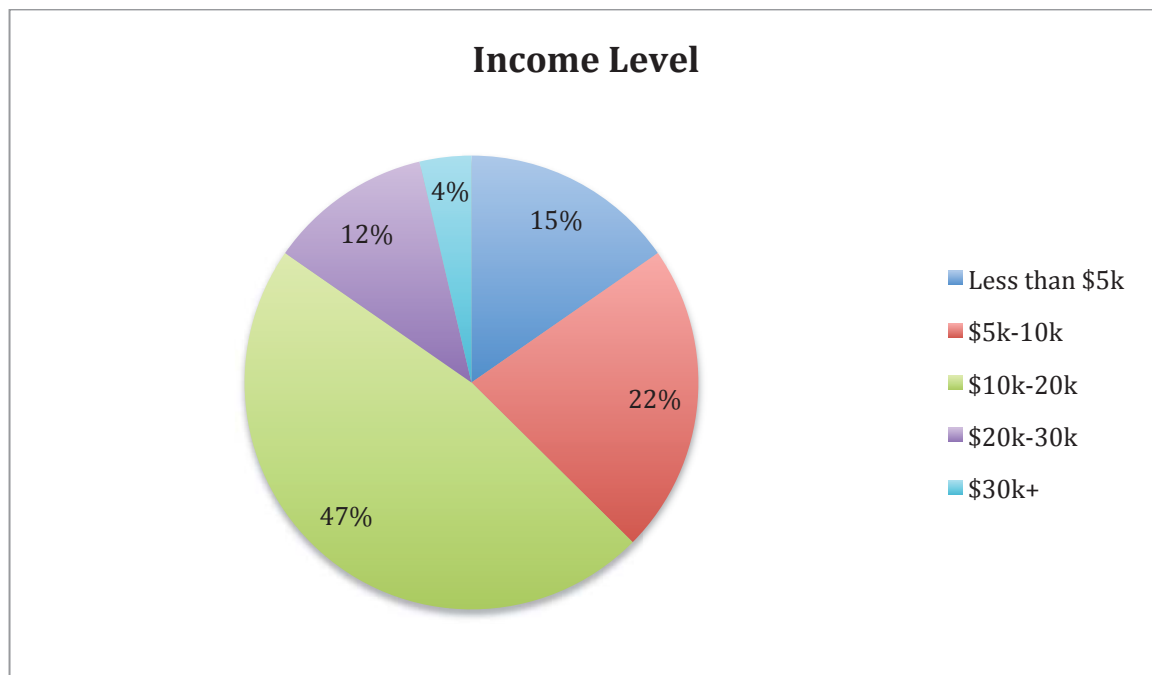
All subscribers were able to receive a one-time \$60 credit toward installation fees, a free modem or necessary connection device (subsidized by the ETC), a \$30 monthly discount on broadband service fees for twelve months, and also had the option to purchase a high quality refurbished desktop computer from Computer Banc at a discounted cost. Subscribers in select zip codes were also eligible to participate in no-cost digital literacy training from Connected Living, if desired. Subscribers in zip codes without the option of digital literacy training were the Control Group, while subscribers in zip codes with the option of taking the trainings were the Study Group. The zip codes designated as the Study Group were determined in advance by using population and low-income percentages into consideration based upon 2010 U.S. Census Data, in an attempt to have equal sample sizes.

Sample Size

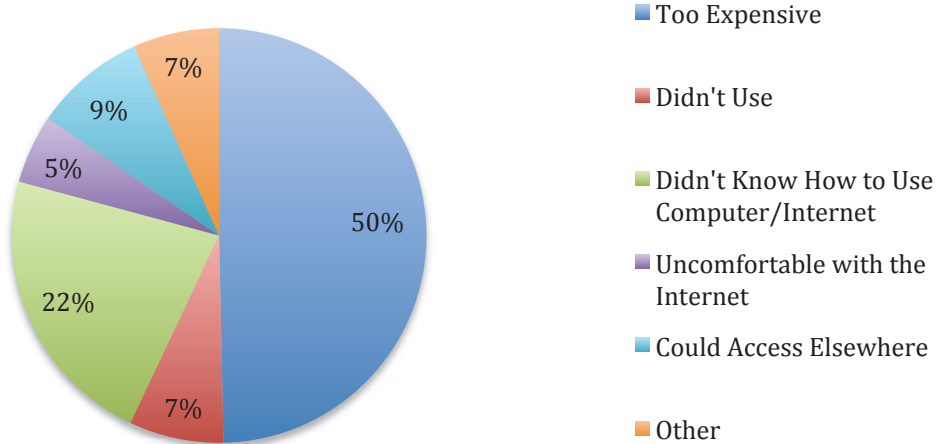
In total, 153 individuals enrolled in the project. The Control Group consisted of 90 subscribers. The Study Group contained 63 subscribers. Of the 63 subscribers in the study group, only 16 took advantage of free digital literacy training.

Subscriber Information

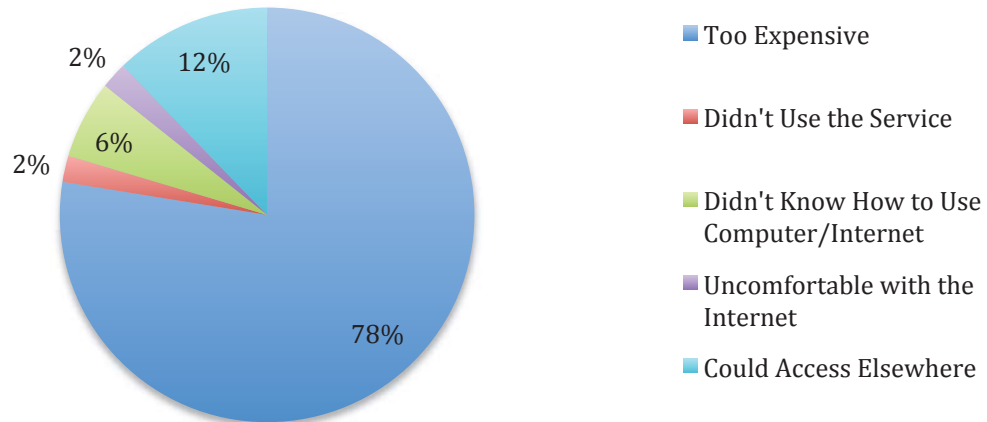
Based upon a survey of subscribers at enrollment, subscribers were between the ages of 18-96, with the average being age 50. On average, two people in the household used the broadband service. 73% of subscribers had never had broadband access in their home prior to signing up for this program. Data below shows the reported income levels of subscribers, as well as reasons for not having broadband in the home before signing up.



Reasons for Not Having Internet Service (For Those Who Had Never Subscribed)



Reasons for Cancelling Previous Internet Service (For Those Who Had Previously Subscribed)

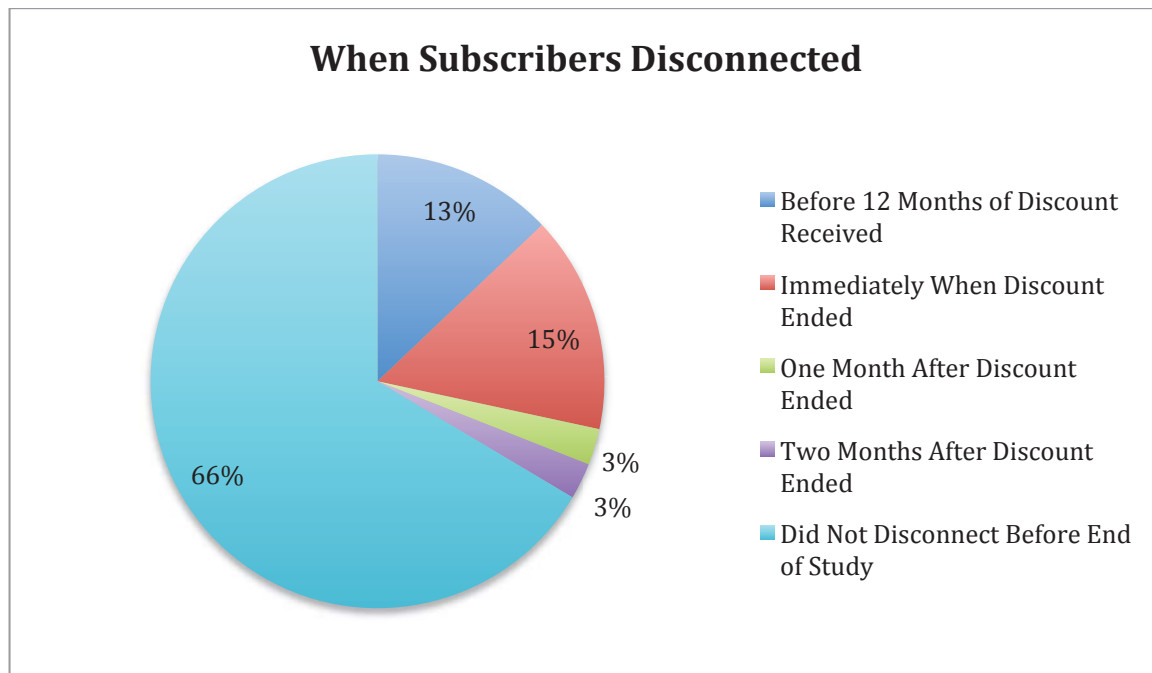


As one can infer from the graphs, the main reason for not having broadband access in the home was due to the prohibitive cost for low-income households.

Variables Studied

Effect of Digital Literacy Training on Adoption

The primary purpose of this project was to test the effect that digital literacy training had on broadband adoption, especially once the twelve-month broadband service discount was no longer available. The graph below shows the percentage of subscribers who participated in the full 12 months of broadband discount, as well as the percentage of subscribers who continued to subscribe for one, two, and three months after the discount ended.



At the end of the project study, 66% of subscribers were still subscribing to the broadband service, even though they were no longer receiving a monthly discount. Of the 16 subscribers that took part in digital literacy training, none disconnected before receiving 12 full months of discounted service, 25% disconnected as soon as the discount ended, and 75% stayed connected for at least three months after the discount ended. Therefore, digital literacy may have led to a higher broadband adoption rate, but because the sample size is so small, this cannot be declared conclusively.

Subscriber's Choice of Broadband Speed

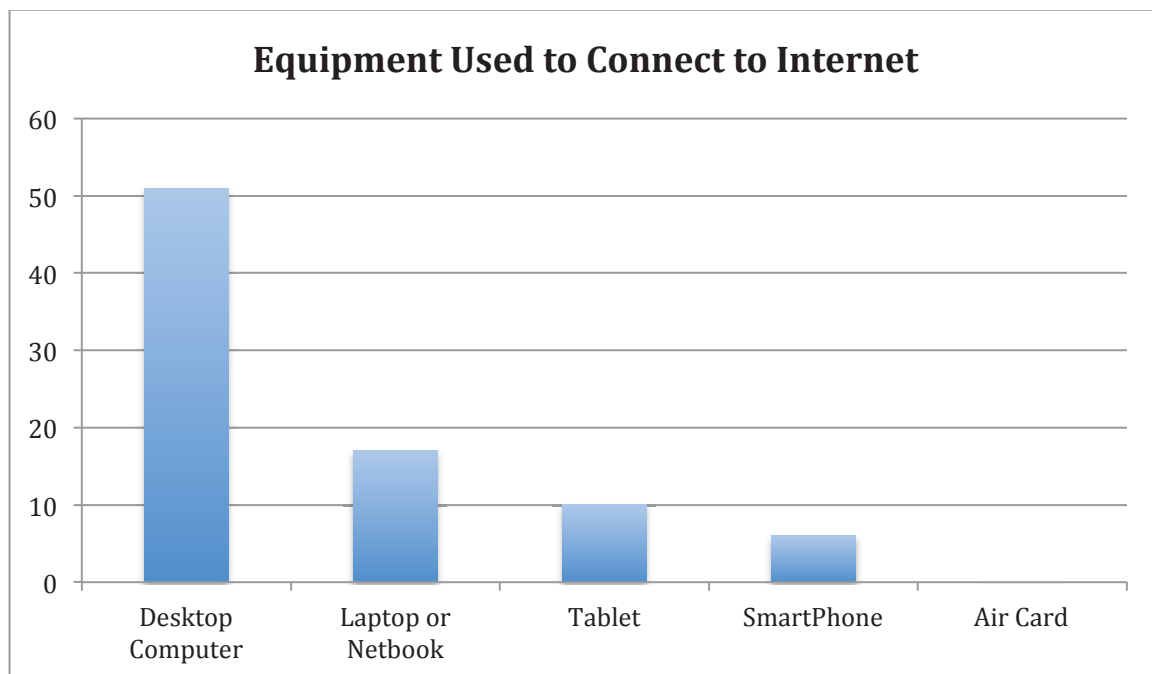
Participants in six of the seven ETC areas were able to choose from a variety of connection speeds, dependent on speeds each ETC was capable of providing. Of the subscribers able to choose from multiple speed tiers, 79% chose the slowest speed package, which also came with the smallest monthly fee. Of the remaining 21%, nearly all chose packages that still cost less than \$10/month after the discount was applied. Because the discount given to participants was a monthly flat rate,

subscribers would have had to pay more money out-of-pocket for higher speeds. Therefore, it can be inferred that the monthly cost of service is a factor in determining what speed a subscriber chose.

Survey Results

All subscribers were asked to complete a survey at the end of the Pilot Project that sought to glean information on how the service was used. 38% of participants responded to the survey, providing a sample size of 58. The data below gives additional insight into the responses.

How/Why Household Used Internet	Percentage of Respondents
Stay in touch with family/friends	81%
Internet provider offered a good price for the service	60%
Wanted to share photos or videos with family/friends	57%
Use it for daily activities (i.e.: e-banking, news, bus schedules)	55%
Wanted to access music, movies, and other entertainment	47%
Children needed it for school	40%
Needed it for job searches	31%
Children wanted internet access	29%
Subscriber needed it for school	26%
Job required online access	14%
Other	14%



Challenges

The primary challenge of this Pilot Project was obtaining sufficient sample size. Initial estimates were that up to 3,751 households could be served by the project. This estimate was derived using 2010 U.S. Census Data to determine the number of households in each ETC's coverage area, the poverty rate for each county served, and by assuming that 35% of low-income households may have already adopted broadband in the home.¹ However, less than 5% of the estimated eligible population took advantage of the project services. Three main factors have been identified as barriers to obtaining a sufficient sample size for this project, listed in the paragraphs below.

Adoption Rate

This project took place in some of the most rural areas of the state. In contrast to urban areas where libraries, cafés, and public computer centers can provide access to the Internet for those without it at home, these establishments are rare in rural areas. ETCs reported that many low-income households had already found a way to afford in-home broadband access due to the lack of public Internet availability. As a result, the adoption rate amongst this population was significantly higher than the national average.

Geographical Limits

ETCs were only able to provide discounted service to households residing in their telephone service area. The ETCs provide broadband service beyond their telephone footprint, but this limitation greatly reduced the pool of eligible participants.

Credit History

The ETCs participating in this project not only offer broadband services to their communities, but also landline phone service and cable television service. Because of this, many potential participants were currently or had previously been a customer of the ETC in the past. If customers had past-due balances or previous account write-offs for any of the three services, the ETC could declare them ineligible to participate in the Pilot Project. Additionally, the policy of some ETCs was to perform a credit check before allowing customers to subscribe, which was prohibitive for many due to lack of credit or poor credit which resulted in the requirement of an up-front deposit for services. Due to the low-income nature of the target population, paying a large deposit or repaying bad debt was often unrealistic for the customer, ending in an inability to participate.

Conclusion

For the 153 individuals participating in the Pilot Project, the program provided a service that enabled non-adopters to experience the benefits of having a home broadband connection. For 73% of participants, this was a new experience. Participating in this project allowed for increased social interaction online,

¹ "Broadband Adoption in Low Income Communities," Social Science Research Council, March 2010

enhanced educational experiences, and gave participants the opportunity to use the Internet for daily activities. As a testament to the value of this service, 66% of participants remained connected to broadband service once the subsidized connection ended. The Partnership for a Connected Illinois wishes to thank the Federal Communications Commission for the opportunity to offer this program in Illinois.